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UNCLAS WELLINGTON 000616

SIPDIS

SENSITIVE

STATE FOR EB/CIP FOR AHYDE AND EAP/ANP FOR DRICCI  
STATE PASS TO USTR FOR BWEISEL AND LCOEN  
COMMERCE FOR 4530/ITA/MAC/AP/OSAO/ARI BENAISSA  
COMMERCE FOR 6920/ITA/OTEC/MYLES DENNY-BROWN

E.O. 12958: N/A

TAGS: [ECPS](#) [ECON](#) [ETRD](#) [NZ](#)

SUBJECT: NEW ZEALAND WATCHDOG TOLD TO RECONSIDER CURBS ON  
MOBILE TERMINATION RATES

REF: (A) WELLINGTON 538; (B) WELLINGTON 461; (C) 04  
WELLINGTON 882; (D) 04 WELLINGTON 598

11. (U) New Zealand's communications minister wants a review of a Commerce Commission recommendation that would reduce the high fees that mobile phone companies charge to terminate calls on their networks.

12. (U) Communications Minister Cunliffe on August 9 asked that the commission reconsider its recommendation that the government regulate mobile termination rates. In his request, the minister asked the commission to examine offers by the country's two mobile-phone service providers -- Vodafone New Zealand and Telecom New Zealand -- to reduce their termination rates voluntarily. The phone companies' rate-cut offers would start sooner than under government regulation, but also would likely bring smaller, more gradual reductions. The commission -- the country's anti-monopoly watchdog -- had concluded that the cost of mobile termination is about NZ 15 cents (US 10.7 cents) per minute, while New Zealand network operators have been charging about NZ 27 cents (US 19 cents) per minute. Those fees are among the highest in the OECD.

13. (U) Besides the commercial offers, Cunliffe also asked the commission to reconsider how it distinguished between second- and third-generation networks. The commission's recommendation for regulation had excluded voice calls using third-generation mobile networks because of concern that such regulation might inhibit investment in the new technology. Telecom complained because the commission said the company's new 027 network did not qualify as third-generation and thus would not be exempt from regulation.

14. (U) In addition, Cunliffe asked the commission to consider how to ensure that savings from termination-rate cuts are passed on to people calling mobile phones from fixed lines. Vodafone had asserted that cuts in termination rates would benefit only fixed-line providers, which would be under no obligation to pass their savings on to consumers.

15. (U) In a statement accompanying his request, Cunliffe said he agreed with the commission's report issued June 9, after a year-long investigation, that mobile termination rates were too high and must come down (ref B). "I am determined to see mobile termination rates reduced in a way that is workable and that benefits end users," Cunliffe said. In regulation of telecommunications companies, the minister can act only on the commission's recommendation, by accepting its recommendation, rejecting it or requiring the commission to reconsider its recommendation.

16. (SBU) Comment: Martin Wylie, chief executive for the New Zealand telecommunications company CallPlus, speculated in the press that Cunliffe looked as if he were trying to avoid taking on the powerful phone companies before the general elections, scheduled for September 17. Regardless, Cunliffe clearly is listening to the two company's complaints, and the companies have succeeded in delaying any reduction in their mobile termination rates. That delay is not good news for U.S. callers to New Zealand, since AT&T and other U.S. companies have faced increasing fees when they pass calls into the country. However, it does appear inevitable that the fees will come down, although questions remain as to when and by how much.

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